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STATE OF MONTANA

ENVIRONMENTAL QUALITY COUNCIL

REPORT ON AUDIT

Fiscal Year Ended June 30, 1978

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STATE OF MONTANA

ENVIRONMENTAL QUALITY COUNCIL

REPORT ON AUDIT

Fiscal Year Ended June 30, 1978

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Reed, G. Dean
State of
Montana,
Environmental
Quality Council,
report on audit

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

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ELLEN FEAVER
FINANCIAL-COMPLIANCE AND CONTRACTED AUDITS
STAFF LEGAL COUNSEL
JOHN W. NORTHEY

September 1978

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Environmental Quality Council for the year ended June 30, 1978.

The audit was conducted by G. Dean Reed, CPA, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

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ENVIRONMENTAL QUALITY COUNCIL

OFFICIALS

COUNCIL MEMBERS

Representatives

Verner L. Bertelsen

Mike Meloy

Dennis G. Nathe

Arthur H. Shelden

Senators

Frank H. Dunkle

Terry Murphy

Joe R. Roberts

George F. Roskie

General Public

G. W. Deschamps

Charles Doheny

Richard D. Klinger

William M. Spilker

Governor's Designated Representative (ex officio)

Lieutenant Governor Ted Schwinden

EXECUTIVE DIRECTOR

Terrance D. Carmody

SUMMARY OF RECOMMENDATIONS

Page

Include official actions taken during executive sessions in the minutes of Council meetings. 5

Agency concurs and indicates recommendation will be implemented.

Consider revising employee time accounting procedures to provide for completed employee attendance reports for each employee showing the number of hours worked each day and signed by the employee and his supervisor. 6

Executive director indicates that he will discuss the recommendation with the Council but that he has reservations as to whether the recommendation is worth implementing at this time because of the small size of the staff.

G. DEAN REED
CERTIFIED PUBLIC ACCOUNTANT
1300 Cedar Street
HELENA, MONTANA 59601

AREA CODE 406
TELEPHONE 442-6060

September 26, 1978

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of the funds of the Environmental Quality Council for the fiscal year ended June 30, 1978, listed in the foregoing table of contents. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the accompanying financial statements listed in the aforementioned table of contents present fairly the financial position of the funds of the Environmental Quality Council as of June 30, 1978, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

G. Dean Reed

COMMENTS

GENERAL

The Environmental Quality Council was created in 1971 by the Montana Environmental Policy Act (Chapter 238, Session Laws of 1971) (M.E.P.A.). The primary function of the Council is to provide legislative oversight relating to environmental matters affecting Montana.

The Council consists of thirteen members, each elected for a two year term. The members are:

a. Eight legislators - four members of the Senate and four members of the House of Representatives. These members are appointed in the same manner as standing committees of the respective houses are appointed. No more than two members of each house may be from the same political party.

b. Four members of the general public. Two of these members are appointed by the Speaker of the House of Representatives and two are appointed by the President of the Senate, in each instance with the consent of the respective house minority leader.

c. The Governor or his designated representative serving ex officio and non-voting. The Governor's designated representative on the Council is the Lieutenant Governor.

The Council's staff is headed by the executive director, who is appointed by and is responsible solely to the Council. The director currently has five support staff members and the Council office is situated in rented office space in Helena. The specific duties of the executive director and his staff, as set forth in M.E.P.A., are:

(a) to gather timely and authoritative information concerning the conditions and trends in the quality of the environment both current and prospective, to analyze and interpret such information for the purpose of determining whether such conditions and trends are interfering, or are likely to interfere, with the achievement of the policy set forth in M.E.P.A., and to compile and submit to the Governor and Legislative Assembly studies relating to such conditions and trends;

(b) to review and appraise the various programs and activities of the state agencies in the light of the policy set forth in M.E.P.A. for the purpose of determining the extent to which such programs and activities are contributing to the achievement of such policy, and to make recommendations to the Governor and the Legislative Assembly with respect thereto;

(c) to develop and recommend to the Governor and the Legislative Assembly, state policies to foster and promote the improvement of environmental quality to meet the conservation, social, economic, health, and other requirements and goals of the State;

(d) to conduct investigations, studies, surveys, research, and analyses relating to ecological systems and environmental quality;

(e) to document and define changes in the natural environment, including the plant and animal systems, and to accumulate necessary data and other information for a continuing analysis of these changes or trends and an interpretation of their underlying causes;

(f) to make and furnish such studies, reports thereon, and recommendations with respect to matters of policy and legislation as the Legislative Assembly requests;

(g) to analyze legislative proposals in clearly environmental areas and in other fields where legislation might have environmental consequences, and assist in preparation of reports for use by legislative committees, administrative agencies, and the public;

(h) to consult with, and assist legislators who are preparing environmental legislation, to clarify any deficiencies or potential conflicts with an overall ecologic plan;

(i) to review and evaluate operating programs in the environmental field in the several agencies to identify actual or potential conflicts, both among such activities, and with a general ecologic perspective, and to suggest legislation to remedy such situations;

(j) to transmit to the Governor and the Legislative Assembly annually, and make available to the general public annually, beginning July 1, 1972, an environmental quality report concerning the state of the environment which shall contain

(1) the status and condition of the major natural, man-made, or altered environmental classes of the State, including, but not limited to, the air, the aquatic, including surface and ground water, and the terrestrial environment, including, but not limited to, the forest, dryland, wetland, range, urban, suburban, and rural environment;

(2) the adequacy of available natural resources for fulfilling human and economic requirements of the State in the light of expected population pressures;

(3) current and foreseeable trends in the quality, management and utilization of such environments and the effects of those trends on the social, economic, and other requirements of the State in the light of expected population pressures;

(4) a review of the programs and activities (including regulatory activities) of the State and local governments, and nongovernmental entities or individuals, with particular reference to their effect on the environment and on the conservation, development and utilization of natural resources; and

(5) a program for remedying the deficiencies of existing programs and actitivites, together with recommendations for legislation.

The Council's activities are financed primarily from appropriations from the State General Fund. However, in October 1977, the Council received a $25,000 grant from the National Science Foundation. The grant was similar to other grants offered to all states under the Foundation's "State Science, Engineering, and Technology Program". The specific purpose of the grant is "To develop a plan by which to establish a science and technology assessment capability within the Legislative Branch".

As the accompanying expenditure statement shows, (Exhibit D, page 10), the Council expended considerably less than its spending authority for 1977-78. This was to a large extent because the Council was staffed at less than capacity for the full year. As a result, the Council approved a budget amendment to carry forward its unexpended general fund appropriation balance ($37,791) from 1977-78 to 1978-79.

COUNCIL MINUTES

Like most other public organizations the Council at times goes into executive session to discuss personnel or other matters as set forth in the law.

It was noted, however, that the conclusions reached in the executive sessions are sometimes not included in the Council's minutes for these meetings. On the occasions noted, the Council's executive director had well documented memorandums in the Council files as to his understanding of the Council's actions.

Naturally, the discussion and other details leading to the Council's actions in executive session are not public information unless the Council believes they should be. However, the Council's official actions during

executive sessions often serve as the basis for further action (e.g. hiring employees).

Since the minutes must be acted upon at subsequent meetings, inclusion in the Council minutes of official Council actions taken during executive sessions would provide the means for assuring that subsequent actions taken are consistent with the Council's intent.

RECOMMENDATION

I recommend that the Council include official actions taken during executive sessions in the minutes of Council meetings.

EMPLOYEE TIME RECORDS

Documentation for the Council's staff work time could be improved in my opinion.

The Council's current procedures for documenting employee attendance include:

1. The administrative assistant takes a daily attendance and marks it on her calendar.

2. Employees sign the standard state form for time taken off.

3. The calendar and completed forms provide the basis for preparation of the "pre-payroll" which is the official attendance form used by the State Auditor for preparation of payroll warrants.

A better method in terms of documentation and control would be for each employee to complete and sign an attendance form showing for each day the number of hours worked. Coupled with the employee's supervisor's signature on the form, this would provide a positive support for the time factor involved with personal services expenditures.

In a small office such as the Council's it is relatively easy for management to keep on top of its employees' job related activities. All indications are this is the case with the Council. However, because of the significance of employees' personal services costs in a service oriented organization such as the Council (e.g. 73% of total costs for 1977-78), the positive documen-

tation by employees of their time worked seems to justify the relatively small amount of their time required to complete the form. This procedure is consistent with that currently in use by most other Legislative Branch agencies.

RECOMMENDATION

I recommend that the Council consider revising its employee time accounting procedures to provide for completed employee attendance reports for each employee showing the number of hours worked each day and signed by the employee and his supervisor.

CONCLUDING COMMENTS

The comments and recommendations contained in this report have been reviewed with the executive director. I would like to thank the director and his staff for the cooperation and assistance provided during the audit.

ENVIRONMENTAL QUALITY COUNCIL
ALL FUNDS
BALANCE SHEET
June 30, 1978

	General Fund	Federal and Private Revenue Fund	General Fixed Assets
ASSETS			
Cash in State Treasury	$ -	$ 13,969	$ -
Unexpended Appropriation	37,791	-	-
Equipment	-	-	10,069
Total Assets	$ 37,791	$ 13,969	$ 10,069
RESERVES AND FUND BALANCE			
Reserve for Continuing Appropriation	$ 37,991	$ -	$ -
Reserve for Investment in General Fixed Assets - Exhibit E	-	-	10,069
Fund Balance - Exhibit B	-	13,969	-
Total Reserves and Fund Balance	$ 37,791	$ 13,969	$ 10,069

See Notes to Financial Statements.

ENVIRONMENTAL QUALITY COUNCIL
ALL FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1978

	General Fund	Federal and Private Revenue Fund
Fund Balance, July 1, 1977	$ -	$ -
Add:		
Revenue - Exhibit C	-	25,000
1977-78 Legislative Appropriation	142,581	-
Prior Year Expense Rebates	211	-
Prior Year Expenditure Adjustments (net)	202	-
Total Balance and Additions	142,994	25,000
Deduct:		
Support Expenditures - Exhibit D	104,790	11,031
Prior Year Expenditures	413	-
Appropriation Balance Carried Forward to 1978-79	37,791	-
Fund Balance, June 30, 1978	$ -	$ 13,969

See Notes to Financial Statements.

EXHIBIT C

ENVIRONMENTAL QUALITY COUNCIL
FEDERAL AND PRIVATE REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1978

Grant from National Science Foundation for State Science, Engineering, and Technology Program	$ 25,000

See Notes to Financial Statements.

ENVIRONMENTAL QUALITY COUNCIL
ALL FUNDS
STATEMENT OF SUPPORT EXPENDITURES COMPARED WITH APPROPRIATIONS
Fiscal Year Ended June 30, 1978

	General Fund	Federal and Private Revenue Fund
Legislative Appropriations	$142,581	$ -
Budget Amendment	-	25,000
Total Spending Authority	142,581	25,000
Support Expenditures	104,790	11,031
Appropriation Balance Carried Forward to 1978-79	$ 37,791	$ 13,969

ANALYSIS OF EXPENDITURES

Personal Services:		
Salaries	$ 65,174	$ 9,112
Council Members' Compensation	2,700	100
Employee Benefits	8,555	1,244
Total Personal Services	76,429	10,456
Operating Expenses:		
Contracted Services	3,055	-
Supplies and Materials	482	-
Communications	2,055	-
Travel	12,037	563
Rent	8,668	-
Repairs and Maintenance	207	-
Other Expenses	1,472	12
Total Operating Expenses	27,976	575
Capital Items:		
Equipment	385	-
Total Support Expenditures	$104,790	$ 11,031

See Notes to Financial Statements.

ENVIRONMENTAL QUALITY COUNCIL
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1978

Balance, July 1, 1977	$ 10,349
Additions:	
Purchases	601
Total Balance and Additions	10,950
Deletions:	
Items Traded In	881
Balance, June 30, 1978	$ 10,069

ENVIRONMENTAL QUALITY COUNCIL
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1978

Basis of Accounting

1. Consistent with established fiscal policy for the State of Montana, the statements are prepared on the modified accrual basis of accounting.

Accrued Liability For Employees' Earned Time Off

2. Also consistent with established fiscal policy for the State of Montana, the accompanying statements exclude the accrued liability for the council employees' earned time off for vacation and sick leave. The related expenditures are recorded when paid.

STATE OF MONTANA
ENVIRONMENTAL QUALITY COUNCIL
CAPITOL STATION
Helena, Montana 59601
Telephone (406) 449-3742

Terrence D. Carmody, Executive Director

GOV. THOMAS L. JUDGE or
Designated Representative
Lt. Gov. Ted Schwinden

SENATE MEMBERS
Terry Murphy, Chairman
Frank Dunkle
Joe R. Roberts
George F. Roskie

HOUSE MEMBERS
Verner L. Bertelsen
Mike Meloy
Dennis G. Nathe
Arthur H. Shelden

APPOINTED MEMBERS
G.W. Deschamps
Charles Doheny
Richard D. Klinger
William D. Spilker

September 29, 1978

Legislative Audit Committee
State Capitol
Helena, Montana

Gentlemen:

We have just recently been audited by Mr. G. Dean Reed. I would like to compliment the committee on the caliber of people that are contracted to perform this service.

Mr. Reed has gone over the audit with me and explained his reasons for the recommendations. He asked that I comment to the committee concerning his recommendations.

Mr. Reed's first recommendation to include in the Council Minutes those actions taken during an executive session is very appropriate. I certainly appreciate this being pointed out as it will serve two purposes. It will definitely protect the executive director and his actions; and secondly, it will insure that the executive director did indeed understand the intent of the Council. We will certainly be doing this in the future.

Mr. Reed's second recommendation concerning time accounting is well made, however, at this time because of our small staff I am not sure that it is worth the time and paperwork that would be necessary to implement this recommendation. However, I plan to discuss this recommendation with the Council and certainly keep it in mind with the possibility of implementing it at a later date.

Thanks again for this fine, much needed and worthwhile service.

Sincerely,

Terrence D. Carmody

TERRENCE D. CARMODY
Executive Director

TDC/mb